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To: Ways and Means

HOUSE BILL NO. 1780  
(As Sent to Governor)

1 AN ACT TO ENACT THE MISSISSIPPI MOTION PICTURE INCENTIVE ACT;  
2 TO PROVIDE THAT A MOTION PICTURE PRODUCTION COMPANY SHALL BE  
3 ENTITLED TO AN INCOME TAX CREDIT FOR THE EMPLOYMENT OF RESIDENTS  
4 OF MISSISSIPPI IN CONNECTION WITH THE PRODUCTION OF A MOTION  
5 PICTURE; TO PROVIDE FOR THE AMOUNT OF THE CREDIT; TO PROVIDE FOR A  
6 REBATE OF A PERCENTAGE OF THE INVESTMENT MADE BY A MOTION PICTURE  
7 PRODUCTION COMPANY IN CERTAIN MOTION PICTURES; TO PROVIDE FOR THE  
8 AMOUNT OF THE REBATE; TO AMEND SECTION 27-65-11, MISSISSIPPI CODE  
9 OF 1972, TO REVISE THE DEFINITION OF THE TERM "MANUFACTURING  
10 MACHINERY" UNDER THE STATE SALES TAX LAW TO INCLUDE CERTAIN  
11 MACHINERY AND EQUIPMENT USED IN THE PRODUCTION OF MOTION PICTURES;  
12 TO AMEND SECTION 27-65-101, MISSISSIPPI CODE OF 1972, TO CREATE AN  
13 INDUSTRIAL SALES TAX EXEMPTION FOR SALES OF CERTAIN MACHINERY AND  
14 EQUIPMENT USED IN THE PRODUCTION OF MOTION PICTURES; TO PROVIDE  
15 THAT INCOME RECEIVED FROM THE STRIPPING AND PAINTING OF COMMERCIAL  
16 AIRCRAFT ENGAGED IN FOREIGN OR INTERSTATE TRANSPORTATION BUSINESS  
17 SHALL BE EXEMPT FROM SALES TAXATION; TO CREATE AN INDUSTRIAL SALES  
18 TAX EXEMPTION FOR LEASES OF MACHINERY AND EQUIPMENT ACQUIRED IN  
19 THE INITIAL CONSTRUCTION OF FACILITIES FOR OR FOR THE EXPANSION OF  
20 A BUSINESS ENTERPRISE IN A GROWTH AND PROSPERITY COUNTY; AND FOR  
21 RELATED PURPOSES.

22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

23 **SECTION 1.** The provisions of Sections 1 through 4 of this  
24 act shall be known and may be cited as the "Mississippi Motion  
25 Picture Incentive Act."

26 **SECTION 2.** As used in Sections 1 through 4 of this act, the  
27 following terms shall have the meanings ascribed in this section  
28 unless the context clearly indicates otherwise:

29 (a) "Base investment" means the actual investment made  
30 and expended in Mississippi by a motion picture production company  
31 in connection with the production of a state-certified production  
32 in the state. The term "base investment" shall not include  
33 payroll.

34 (b) "Motion picture" means a nationally distributed  
35 feature-length film, video, television series or commercial made  
36 in Mississippi, in whole or in part, for theatrical or television

37 viewing or as a television pilot. The term "motion picture" shall  
38 not include the production of television coverage of news and  
39 athletic events, or a film, video, television series or commercial  
40 that contains any material or performance defined in Section  
41 97-29-103.

42 (c) "Motion picture production company" means a company  
43 engaged in the business of producing nationally distributed motion  
44 pictures, videos, television series or commercials intended for a  
45 theatrical release or for television viewing. The term "motion  
46 picture production company" shall not mean or include any company  
47 owned, affiliated, or controlled, in whole or in part, by any  
48 company or person which is in default on a loan made by the state  
49 or a loan guaranteed by the state, or any company or person who  
50 has ever declared bankruptcy under which an obligation of the  
51 company or person to pay or repay public funds or monies was  
52 discharged as a part of such bankruptcy.

53 (d) "Payroll" means salary, wages or other compensation  
54 including related benefits.

55 (e) "Resident" or "resident of Mississippi" means a  
56 natural person, and for the purpose of determining eligibility for  
57 the tax credit provided by Section 3 of this act, any person  
58 domiciled in the State of Mississippi and any other person who  
59 maintains a permanent place of abode within the state and spends  
60 in the aggregate more than six (6) months of each year within the  
61 state.

62 (f) "State" means the State of Mississippi.

63 (g) "State-certified production" means a motion picture  
64 approved by the Mississippi Development Authority produced by a  
65 motion picture production company in the state.

66 **SECTION 3.** (1) A motion picture production company shall be  
67 entitled to a tax credit for the employment of residents of  
68 Mississippi in connection with production of a state-certified  
69 production in the state. The credit shall be equal to ten percent

70 (10%) of the total aggregate payroll for residents employed in  
71 connection with such state-certified production during the taxable  
72 year.

73 (2) The credit may be applied to the tax liability  
74 applicable to the motion picture production company imposed by  
75 Chapter 7 of Title 27, Mississippi Code of 1972. The credit shall  
76 be limited to the tax liability created by the activity for which  
77 the credit is granted.

78 (3) If the motion picture production company is an entity  
79 not subject to the tax imposed by Chapter 7 of Title 27,  
80 Mississippi Code of 1972, the tax credit shall flow through to its  
81 partners or members as follows:

82 (a) Corporate partners or members shall claim their  
83 share of the credit on their corporation income tax return.

84 (b) Individual partners or members shall claim their  
85 share of the credit on their individual income tax returns.

86 (c) Partners or members that are estates or trusts  
87 shall claim their share of the credit on their fiduciary income  
88 tax returns.

89 (4) Any unused credit may be carried forward no more than  
90 ten (10) years from the date the credit was earned. The credit  
91 authorized in this section is not refundable.

92 (5) A motion picture production company desiring a tax  
93 credit under this section must submit an application to the State  
94 Tax Commission. The application must include a detailed  
95 accounting of the total aggregate payroll for residents employed  
96 in connection with such state-certified production during the  
97 taxable year and any other information required by the State Tax  
98 Commission.

99 (6) The State Tax Commission shall have all powers necessary  
100 to implement and administer the provisions of this section, and  
101 the commission shall promulgate rules and regulations, in

102 accordance with the Mississippi Administrative Procedures Law,  
103 necessary for the implementation of this section.

104 **SECTION 4.** (1) A motion picture production company shall be  
105 entitled to a rebate of a portion of the base investment made by  
106 the motion picture production company. The amount of the rebate  
107 shall be equal to ten percent (10%) of the base investment made by  
108 the motion picture production company.

109 (2) A motion picture production company desiring a rebate  
110 under this section must submit an application to the State Tax  
111 Commission upon completion of the project. The application must  
112 include a detailed accounting of the base investment made by the  
113 motion picture production company and any other information  
114 required by the State Tax Commission. Rebates made by the State  
115 Tax Commission under this section shall be made from current  
116 income tax collections.

117 (3) The State Tax Commission shall have all powers necessary  
118 to implement and administer the provisions of this section, and  
119 the State Tax Commission shall promulgate rules and regulations,  
120 in accordance with the Mississippi Administrative Procedures Law,  
121 necessary for the implementation of this section.

122 **SECTION 5.** Section 27-65-11, Mississippi Code of 1972, is  
123 amended as follows:

124 27-65-11. (a) "Manufacturer" means one who is exclusively  
125 or predominately engaged in the business of manufacturing as  
126 defined under the terms "to manufacture" or "manufacturing." A  
127 person who is engaged in manufacturing and nonmanufacturing  
128 activities may be classified as a manufacturer as to his  
129 manufacturing activities which are operated as a separate business  
130 or division.

131 (b) "To manufacture" or "manufacturing" embraces activities  
132 of an industrial or commercial nature wherein labor or skill is  
133 applied, by hand or machinery, to materials belonging to the  
134 manufacturer so that a new, different, or more useful article of

135 tangible personal property or substance of trade or commerce or  
136 electric power is produced for sale or rental and includes the  
137 production or fabrication of special-made or custom-made articles  
138 for sale or rental.

139 "To manufacture" or "manufacturing" does not include  
140 activities such as cooking or preparing food or food products by a  
141 retailer in the regular course of retail trade; repairing and  
142 reconditioning property; the filling of prescriptions by a  
143 pharmacist; the washing or screening of mineral products; the  
144 cutting, hauling and decking of logs; or similar preparatory  
145 functions even when performed by a manufacturer.

146 (c) "Remanufacturing" embraces activities of an industrial  
147 or commercial nature wherein labor or skill is applied by hand or  
148 machinery to materials, a portion of which may belong to the  
149 customer, so that rebuilt articles of tangible personal property,  
150 comparable in quality to new articles of the same property, are  
151 created, a majority of the value of which is produced by the  
152 remanufacturing activity.

153 (d) "Custom processor" means one who is exclusively or  
154 predominately engaged in the business of custom processing or  
155 remanufacturing as defined under the terms "custom processing" and  
156 "remanufacturing."

157 (e) "Custom processing" means the performance of a  
158 manufacturing service done or made to order upon the property of  
159 the customer and shall include laundering, cleaning and pressing,  
160 but shall not include "repairs" or "maintenance" as these terms  
161 are defined herein; nor self-service commercial laundering,  
162 drying, cleaning and pressing equipment.

163 (f) "Manufacturing machinery" shall mean and include that  
164 machinery owned or leased by a manufacturer or custom processor  
165 for use by said manufacturer or custom processor in his plant  
166 directly and exclusively in manufacturing tangible personal  
167 property for subsequent sale, rental or in custom processing for a

168 fee. Motorized units, conveyors, track and track structures,  
169 conduits, and similar items for use in transporting the unfinished  
170 product from storage or from one (1) phase of the manufacturing  
171 process to another may be classed as "manufacturing machinery."

172 "Manufacturing machinery" shall also include laboratory  
173 machinery which shall include X-ray machines and film, scales,  
174 chemical equipment, pressure and tensile analysis machines and  
175 similar equipment to determine the quality of the product in  
176 process of manufacture, and equipment used in the processing of  
177 waste materials to avoid air and water pollution, but only when  
178 located at the manufacturer's plant site.

179 Machinery used by a manufacturer to move, repair, clean,  
180 alter, improve, or otherwise recondition, rail rolling stock for  
181 sale or rental shall likewise constitute "manufacturing  
182 machinery."

183 "Manufacturing machinery" shall also include machinery and  
184 equipment used in the production of motion pictures such as  
185 editing equipment, audio equipment, lighting equipment, projection  
186 equipment, camera equipment, sound equipment, cables, computer  
187 equipment used in the editing process, computer equipment used in  
188 the creation of special effects, and computer equipment used in  
189 the graphic and animation process. For the purposes of this  
190 paragraph the term "motion picture" means a nationally distributed  
191 feature-length film, video, television series or commercial made  
192 in Mississippi, in whole or in part, for theatrical or television  
193 viewing or as a television pilot. The term "motion picture" shall  
194 not include the production of television coverage of news and  
195 athletic events, or a film, video, television series or commercial  
196 that contains any material or performance defined in Section  
197 97-29-103. Manufacturing machinery used in the production of  
198 motion pictures shall not be limited to a plant site.

199 "Manufacturing machinery" shall not include machinery for use  
200 in the hatching of baby chicks, the severance of timber, sand,

201 gravel, oil, gas or other natural resources produced or severed  
202 from the soil or water, maintenance or repair machinery, research  
203 laboratory machinery, storage warehouse machinery, equipment for  
204 protection of the plant or comfort of the personnel, or other  
205 equipment and supplies of like character. "Manufacturing  
206 machinery" does not include machine foundations or materials for  
207 their construction.

208 (g) "Machine parts" are component parts of manufacturing  
209 machinery and do not include parts for service equipment,  
210 nonmanufacturing machinery, fuels, lubricants, paints, or tools  
211 for maintenance.

212 (h) "Manufacturing plant" means the real and personal  
213 property owned or leased by a manufacturer which is assembled and  
214 used at a fixed location to perform activities defined as  
215 "manufacturing."

216 (i) "Repair," "repairs," or "maintenance" means the  
217 restoring of property in some measure to its original condition,  
218 which may involve the use of either personal property or labor or  
219 both, but, for the purposes of this chapter, the total charge for  
220 the service shall constitute gross income taxable in the class in  
221 which it falls.

222 (j) "Producer" means any person producing natural resource  
223 products or agricultural or horticultural products from the soil  
224 or water for sale.

225 **SECTION 6.** Section 27-65-101, Mississippi Code of 1972, as  
226 amended by House Bill No. 1659, 2004 Regular Session, is amended  
227 as follows:

228 **[From and after August 1, 2003, through June 30, 2004, this**  
229 **section shall read as follows:]**

230 27-65-101. (1) The exemptions from the provisions of this  
231 chapter which are of an industrial nature or which are more  
232 properly classified as industrial exemptions than any other  
233 exemption classification of this chapter shall be confined to

234 those persons or property exempted by this section or by the  
235 provisions of the Constitution of the United States or the State  
236 of Mississippi. No industrial exemption as now provided by any  
237 other section except Section 57-3-33 shall be valid as against the  
238 tax herein levied. Any subsequent industrial exemption from the  
239 tax levied hereunder shall be provided by amendment to this  
240 section. No exemption provided in this section shall apply to  
241 taxes levied by Section 27-65-15 or 27-65-21.

242 The tax levied by this chapter shall not apply to the  
243 following:

244 (a) Sales of boxes, crates, cartons, cans, bottles and  
245 other packaging materials to manufacturers and wholesalers for use  
246 as containers or shipping materials to accompany goods sold by  
247 said manufacturers or wholesalers where possession thereof will  
248 pass to the customer at the time of sale of the goods contained  
249 therein and sales to anyone of containers or shipping materials  
250 for use in ships engaged in international commerce.

251 (b) Sales of raw materials, catalysts, processing  
252 chemicals, welding gases or other industrial processing gases  
253 (except natural gas) to a manufacturer for use directly in  
254 manufacturing or processing a product for sale or rental or  
255 repairing or reconditioning vessels or barges of fifty (50) tons  
256 load displacement and over. For the purposes of this exemption,  
257 electricity used directly in the electrolysis process in the  
258 production of sodium chlorate shall be considered a raw material.  
259 This exemption shall not apply to any property used as fuel except  
260 to the extent that such fuel comprises by-products which have no  
261 market value.

262 (c) The gross proceeds of sales of dry docks, offshore  
263 drilling equipment for use in oil exploitation or production,  
264 vessels or barges of fifty (50) tons load displacement and over,  
265 when sold by the manufacturer or builder thereof.



266           (d) Sales to commercial fishermen of commercial fishing  
267 boats of over five (5) tons load displacement and not more than  
268 fifty (50) tons load displacement as registered with the United  
269 States Coast Guard and licensed by the Mississippi Commission on  
270 Marine Resources.

271           (e) The gross income from repairs to vessels and barges  
272 engaged in foreign trade or interstate transportation.

273           (f) Sales of petroleum products to vessels or barges  
274 for consumption in marine international commerce or interstate  
275 transportation businesses.

276           (g) Sales and rentals of rail rolling stock (and  
277 component parts thereof) for ultimate use in interstate commerce  
278 and gross income from services with respect to manufacturing,  
279 repairing, cleaning, altering, reconditioning or improving such  
280 rail rolling stock (and component parts thereof).

281           (h) Sales of raw materials, catalysts, processing  
282 chemicals, welding gases or other industrial processing gases  
283 (except natural gas) used or consumed directly in manufacturing,  
284 repairing, cleaning, altering, reconditioning or improving such  
285 rail rolling stock (and component parts thereof). This exemption  
286 shall not apply to any property used as fuel.

287           (i) Sales of machinery or tools or repair parts  
288 therefor or replacements thereof, fuel or supplies used directly  
289 in manufacturing, converting or repairing ships of three thousand  
290 (3,000) tons load displacement and over, but not to include office  
291 and plant supplies or other equipment not directly used on the  
292 ship being built, converted or repaired.

293           (j) Sales of tangible personal property to persons  
294 operating ships in international commerce for use or consumption  
295 on board such ships. This exemption shall be limited to cases in  
296 which procedures satisfactory to the commissioner, ensuring  
297 against use in this state other than on such ships, are  
298 established.

299           (k) Sales of materials used in the construction of a  
300 building, or any addition or improvement thereon, and sales of any  
301 machinery and equipment not later than three (3) months after the  
302 completion of construction of the building, or any addition  
303 thereon, to be used therein, to qualified businesses, as defined  
304 in Section 57-51-5, which are located in a county or portion  
305 thereof designated as an enterprise zone pursuant to Sections  
306 57-51-1 through 57-51-15.

307           (l) Sales of materials used in the construction of a  
308 building, or any addition or improvement thereon, and sales of any  
309 machinery and equipment not later than three (3) months after the  
310 completion of construction of the building, or any addition  
311 thereon, to be used therein, to qualified businesses, as defined  
312 in Section 57-54-5.

313           (m) Income from storage and handling of perishable  
314 goods by a public storage warehouse.

315           (n) The value of natural gas lawfully injected into the  
316 earth for cycling, repressuring or lifting of oil, or lawfully  
317 vented or flared in connection with the production of oil;  
318 however, if any gas so injected into the earth is sold for such  
319 purposes, then the gas so sold shall not be exempt.

320           (o) The gross collections from self-service commercial  
321 laundering, drying, cleaning and pressing equipment.

322           (p) Sales of materials used in the construction of a  
323 building, or any addition or improvement thereon, and sales of any  
324 machinery and equipment not later than three (3) months after the  
325 completion of construction of the building, or any addition  
326 thereon, to be used therein, to qualified companies, certified as  
327 such by the Mississippi Development Authority under Section  
328 57-53-1.

329           (q) Sales of component materials used in the  
330 construction of a building, or any addition or improvement  
331 thereon, sales of machinery and equipment to be used therein, and

332 sales of manufacturing or processing machinery and equipment which  
333 is permanently attached to the ground or to a permanent foundation  
334 and which is not by its nature intended to be housed within a  
335 building structure, not later than three (3) months after the  
336 initial start-up date, to permanent business enterprises engaging  
337 in manufacturing or processing in Tier Three areas (as such term  
338 is defined in Section 57-73-21), which businesses are certified by  
339 the State Tax Commission as being eligible for the exemption  
340 granted in this paragraph (q).

341 (r) Sales of component materials used in the  
342 construction of a building, or any addition or improvement  
343 thereon, and sales of any machinery and equipment not later than  
344 three (3) months after the completion of the building, addition or  
345 improvement thereon, to be used therein, for any company  
346 establishing or transferring its national or regional headquarters  
347 from within or outside the State of Mississippi and creating a  
348 minimum of thirty-five (35) jobs at the new headquarters in this  
349 state. The Tax Commission shall establish criteria and prescribe  
350 procedures to determine if a company qualifies as a national or  
351 regional headquarters for the purpose of receiving the exemption  
352 provided in this paragraph.

353 (s) The gross proceeds from the sale of semitrailers,  
354 trailers, boats, travel trailers, motorcycles and all-terrain  
355 cycles if exported from this state within forty-eight (48) hours  
356 and registered and first used in another state.

357 (t) Gross income from the storage and handling of  
358 natural gas in underground salt domes and in other underground  
359 reservoirs, caverns, structures and formations suitable for such  
360 storage.

361 (u) Sales of machinery and equipment to nonprofit  
362 organizations if the organization: (i) is tax-exempt pursuant to  
363 Section 501(c)(4) of the Internal Revenue Code of 1986, as  
364 amended; (ii) assists in the implementation of the national

365 contingency plan or area contingency plan, and which is created in  
366 response to the requirements of Title IV, Subtitle B of the Oil  
367 Pollution Act of 1990, Public Law 101-380; and (iii) engages  
368 primarily in programs to contain, clean up and otherwise mitigate  
369 spills of oil or other substances occurring in the United States  
370 coastal and tidal waters. For purposes of this exemption,  
371 "machinery and equipment" means any ocean-going vessels, barges,  
372 booms, skimmers and other capital equipment used primarily in the  
373 operations of nonprofit organizations referred to herein.

374 (v) Sales of component materials and equipment to  
375 approved business enterprises as provided under the Growth and  
376 Prosperity Act.

377 (w) From and after July 1, 2001, sales of pollution  
378 control equipment to manufacturers or custom processors for  
379 industrial use. For the purposes of this exemption, "pollution  
380 control equipment" means equipment, devices, machinery or systems  
381 used or acquired to prevent, control, monitor or reduce air, water  
382 or groundwater pollution, or solid or hazardous waste as required  
383 by federal or state law or regulation.

384 (x) Sales or leases to a manufacturer of motor vehicles  
385 operating a project that has been certified by the Mississippi  
386 Major Economic Impact Authority as a project as defined in Section  
387 57-75-5(f)(iv)1 of machinery and equipment; special tooling such  
388 as dies, molds, jigs and similar items treated as special tooling  
389 for federal income tax purposes; or repair parts therefor or  
390 replacements thereof; repair services thereon; fuel, supplies,  
391 electricity, coal and natural gas used directly in the manufacture  
392 of motor vehicles or motor vehicle parts or used to provide  
393 climate control for manufacturing areas.

394 (y) Sales or leases of component materials, machinery  
395 and equipment used in the construction of a building, or any  
396 addition or improvement thereon to an enterprise operating a  
397 project that has been certified by the Mississippi Major Economic

398 Impact Authority as a project as defined in Section  
399 57-75-5(f)(iv)1 and any other sales or leases required to  
400 establish or operate such project.

401 (z) Sales of component materials and equipment to a  
402 business enterprise as provided under Section 57-64-33.

403 (aa) The gross income from the stripping and painting  
404 of commercial aircraft engaged in foreign or interstate  
405 transportation business.

406 (2) Sales of component materials used in the construction of  
407 a building, or any addition or improvement thereon, sales of  
408 machinery and equipment to be used therein, and sales of  
409 manufacturing or processing machinery and equipment which is  
410 permanently attached to the ground or to a permanent foundation  
411 and which is not by its nature intended to be housed within a  
412 building structure, not later than three (3) months after the  
413 initial start-up date, to permanent business enterprises engaging  
414 in manufacturing or processing in Tier Two areas and Tier One  
415 areas (as such areas are designated in accordance with Section  
416 57-73-21), which businesses are certified by the State Tax  
417 Commission as being eligible for the exemption granted in this  
418 paragraph, shall be exempt from one-half (1/2) of the taxes  
419 imposed on such transactions under this chapter.

420 (3) (a) For purposes of this subsection:

421 (i) "Telecommunications enterprises" shall have  
422 the meaning ascribed to such term in Section 57-73-21(13);

423 (ii) "Tier One areas" mean counties designated as  
424 Tier One areas pursuant to Section 57-73-21(1);

425 (iii) "Tier Two areas" mean counties designated as  
426 Tier Two areas pursuant to Section 57-73-21(1);

427 (iv) "Tier Three areas" mean counties designated  
428 as Tier Three areas pursuant to Section 57-73-21(1); and

429 (v) "Equipment used in the deployment of broadband  
430 technologies" means any equipment capable of being used for or in

431 connection with the transmission of information at a rate, prior  
432 to taking into account the effects of any signal degradation, that  
433 is not less than three hundred eighty-four (384) kilobits per  
434 second in at least one direction, including, but not limited to,  
435 asynchronous transfer mode switches, digital subscriber line  
436 access multiplexers, routers, servers, multiplexers, fiber optics  
437 and related equipment.

438 (b) Sales of equipment to telecommunications  
439 enterprises after June 30, 2003, and before July 1, 2013, that is  
440 installed in Tier One areas and used in the deployment of  
441 broadband technologies shall be exempt from one-half (1/2) of the  
442 taxes imposed on such transactions under this chapter.

443 (c) Sales of equipment to telecommunications  
444 enterprises after June 30, 2003, and before July 1, 2013, that is  
445 installed in Tier Two and Tier Three areas and used in the  
446 deployment of broadband technologies shall be exempt from the  
447 taxes imposed on such transactions under this chapter.

448 **[From and after July 1, 2004, this section shall read as**  
449 **follows:]**

450 27-65-101. (1) The exemptions from the provisions of this  
451 chapter which are of an industrial nature or which are more  
452 properly classified as industrial exemptions than any other  
453 exemption classification of this chapter shall be confined to  
454 those persons or property exempted by this section or by the  
455 provisions of the Constitution of the United States or the State  
456 of Mississippi. No industrial exemption as now provided by any  
457 other section except Section 57-3-33 shall be valid as against the  
458 tax herein levied. Any subsequent industrial exemption from the  
459 tax levied hereunder shall be provided by amendment to this  
460 section. No exemption provided in this section shall apply to  
461 taxes levied by Section 27-65-15 or 27-65-21.

462 The tax levied by this chapter shall not apply to the  
463 following:

464           (a) Sales of boxes, crates, cartons, cans, bottles and  
465 other packaging materials to manufacturers and wholesalers for use  
466 as containers or shipping materials to accompany goods sold by  
467 said manufacturers or wholesalers where possession thereof will  
468 pass to the customer at the time of sale of the goods contained  
469 therein and sales to anyone of containers or shipping materials  
470 for use in ships engaged in international commerce.

471           (b) Sales of raw materials, catalysts, processing  
472 chemicals, welding gases or other industrial processing gases  
473 (except natural gas) to a manufacturer for use directly in  
474 manufacturing or processing a product for sale or rental or  
475 repairing or reconditioning vessels or barges of fifty (50) tons  
476 load displacement and over. For the purposes of this exemption,  
477 electricity used directly in the electrolysis process in the  
478 production of sodium chlorate shall be considered a raw material.  
479 This exemption shall not apply to any property used as fuel except  
480 to the extent that such fuel comprises by-products which have no  
481 market value.

482           (c) The gross proceeds of sales of dry docks, offshore  
483 drilling equipment for use in oil exploitation or production,  
484 vessels or barges of fifty (50) tons load displacement and over,  
485 when sold by the manufacturer or builder thereof.

486           (d) Sales to commercial fishermen of commercial fishing  
487 boats of over five (5) tons load displacement and not more than  
488 fifty (50) tons load displacement as registered with the United  
489 States Coast Guard and licensed by the Mississippi Commission on  
490 Marine Resources.

491           (e) The gross income from repairs to vessels and barges  
492 engaged in foreign trade or interstate transportation.

493           (f) Sales of petroleum products to vessels or barges  
494 for consumption in marine international commerce or interstate  
495 transportation businesses.

496 (g) Sales and rentals of rail rolling stock (and  
497 component parts thereof) for ultimate use in interstate commerce  
498 and gross income from services with respect to manufacturing,  
499 repairing, cleaning, altering, reconditioning or improving such  
500 rail rolling stock (and component parts thereof).

501 (h) Sales of raw materials, catalysts, processing  
502 chemicals, welding gases or other industrial processing gases  
503 (except natural gas) used or consumed directly in manufacturing,  
504 repairing, cleaning, altering, reconditioning or improving such  
505 rail rolling stock (and component parts thereof). This exemption  
506 shall not apply to any property used as fuel.

507 (i) Sales of machinery or tools or repair parts  
508 therefor or replacements thereof, fuel or supplies used directly  
509 in manufacturing, converting or repairing ships of three thousand  
510 (3,000) tons load displacement and over, but not to include office  
511 and plant supplies or other equipment not directly used on the  
512 ship being built, converted or repaired.

513 (j) Sales of tangible personal property to persons  
514 operating ships in international commerce for use or consumption  
515 on board such ships. This exemption shall be limited to cases in  
516 which procedures satisfactory to the commissioner, ensuring  
517 against use in this state other than on such ships, are  
518 established.

519 (k) Sales of materials used in the construction of a  
520 building, or any addition or improvement thereon, and sales of any  
521 machinery and equipment not later than three (3) months after the  
522 completion of construction of the building, or any addition  
523 thereon, to be used therein, to qualified businesses, as defined  
524 in Section 57-51-5, which are located in a county or portion  
525 thereof designated as an enterprise zone pursuant to Sections  
526 57-51-1 through 57-51-15.

527 (l) Sales of materials used in the construction of a  
528 building, or any addition or improvement thereon, and sales of any



529 machinery and equipment not later than three (3) months after the  
530 completion of construction of the building, or any addition  
531 thereon, to be used therein, to qualified businesses, as defined  
532 in Section 57-54-5.

533 (m) Income from storage and handling of perishable  
534 goods by a public storage warehouse.

535 (n) The value of natural gas lawfully injected into the  
536 earth for cycling, repressuring or lifting of oil, or lawfully  
537 vented or flared in connection with the production of oil;  
538 however, if any gas so injected into the earth is sold for such  
539 purposes, then the gas so sold shall not be exempt.

540 (o) The gross collections from self-service commercial  
541 laundering, drying, cleaning and pressing equipment.

542 (p) Sales of materials used in the construction of a  
543 building, or any addition or improvement thereon, and sales of any  
544 machinery and equipment not later than three (3) months after the  
545 completion of construction of the building, or any addition  
546 thereon, to be used therein, to qualified companies, certified as  
547 such by the Mississippi Development Authority under Section  
548 57-53-1.

549 (q) Sales of component materials used in the  
550 construction of a building, or any addition or improvement  
551 thereon, sales of machinery and equipment to be used therein, and  
552 sales of manufacturing or processing machinery and equipment which  
553 is permanently attached to the ground or to a permanent foundation  
554 and which is not by its nature intended to be housed within a  
555 building structure, not later than three (3) months after the  
556 initial start-up date, to permanent business enterprises engaging  
557 in manufacturing or processing in Tier Three areas (as such term  
558 is defined in Section 57-73-21), which businesses are certified by  
559 the State Tax Commission as being eligible for the exemption  
560 granted in this paragraph (q).

561           (r) Sales of component materials used in the  
562 construction of a building, or any addition or improvement  
563 thereon, and sales of any machinery and equipment not later than  
564 three (3) months after the completion of the building, addition or  
565 improvement thereon, to be used therein, for any company  
566 establishing or transferring its national or regional headquarters  
567 from within or outside the State of Mississippi and creating a  
568 minimum of thirty-five (35) jobs at the new headquarters in this  
569 state. The Tax Commission shall establish criteria and prescribe  
570 procedures to determine if a company qualifies as a national or  
571 regional headquarters for the purpose of receiving the exemption  
572 provided in this paragraph.

573           (s) The gross proceeds from the sale of semitrailers,  
574 trailers, boats, travel trailers, motorcycles and all-terrain  
575 cycles if exported from this state within forty-eight (48) hours  
576 and registered and first used in another state.

577           (t) Gross income from the storage and handling of  
578 natural gas in underground salt domes and in other underground  
579 reservoirs, caverns, structures and formations suitable for such  
580 storage.

581           (u) Sales of machinery and equipment to nonprofit  
582 organizations if the organization: (i) is tax-exempt pursuant to  
583 Section 501(c)(4) of the Internal Revenue Code of 1986, as  
584 amended; (ii) assists in the implementation of the national  
585 contingency plan or area contingency plan, and which is created in  
586 response to the requirements of Title IV, Subtitle B of the Oil  
587 Pollution Act of 1990, Public Law 101-380; and (iii) engages  
588 primarily in programs to contain, clean up and otherwise mitigate  
589 spills of oil or other substances occurring in the United States  
590 coastal and tidal waters. For purposes of this exemption,  
591 "machinery and equipment" means any ocean-going vessels, barges,  
592 booms, skimmers and other capital equipment used primarily in the  
593 operations of nonprofit organizations referred to herein.

594           (v) Sales or leases of \* \* \* materials and equipment to  
595 approved business enterprises as provided under the Growth and  
596 Prosperity Act.

597           (w) From and after July 1, 2001, sales of pollution  
598 control equipment to manufacturers or custom processors for  
599 industrial use. For the purposes of this exemption, "pollution  
600 control equipment" means equipment, devices, machinery or systems  
601 used or acquired to prevent, control, monitor or reduce air, water  
602 or groundwater pollution, or solid or hazardous waste as required  
603 by federal or state law or regulation.

604           (x) Sales or leases to a manufacturer of motor vehicles  
605 operating a project that has been certified by the Mississippi  
606 Major Economic Impact Authority as a project as defined in Section  
607 57-75-5(f)(iv)1 of machinery and equipment; special tooling such  
608 as dies, molds, jigs and similar items treated as special tooling  
609 for federal income tax purposes; or repair parts therefor or  
610 replacements thereof; repair services thereon; fuel, supplies,  
611 electricity, coal and natural gas used directly in the manufacture  
612 of motor vehicles or motor vehicle parts or used to provide  
613 climate control for manufacturing areas.

614           (y) Sales or leases of component materials, machinery  
615 and equipment used in the construction of a building, or any  
616 addition or improvement thereon to an enterprise operating a  
617 project that has been certified by the Mississippi Major Economic  
618 Impact Authority as a project as defined in Section  
619 57-75-5(f)(iv)1 and any other sales or leases required to  
620 establish or operate such project.

621           (z) Sales of component materials and equipment to a  
622 business enterprise as provided under Section 57-64-33.

623           (aa) The gross income from the stripping and painting  
624 of commercial aircraft engaged in foreign or interstate  
625 transportation business.

626           (bb) Sales of production items used in the production  
627 of motion pictures such as film; videotape; component building  
628 materials used in the construction of a set; makeup; fabric used  
629 as or in the making of costumes; clothing, including, shoes,  
630 accessories and jewelry used as wardrobes; materials used as set  
631 dressing; materials used as props on a set or by an actor;  
632 materials used in the creation of special effects; and expendable  
633 items purchased for limited use by grip, electric and camera  
634 departments such as tape, fasteners and compressed air. For the  
635 purposes of this paragraph (aa) the term "motion picture" means a  
636 nationally distributed feature-length film, video, television  
637 series or commercial made in Mississippi, in whole or in part, for  
638 theatrical or television viewing or as a television pilot. The  
639 term "motion picture" shall not include the production of  
640 television coverage of news and athletic events, or a film, video,  
641 television series or commercial that contains any material or  
642 performance defined in Section 97-29-103.

643           (2) Sales of component materials used in the construction of  
644 a building, or any addition or improvement thereon, sales of  
645 machinery and equipment to be used therein, and sales of  
646 manufacturing or processing machinery and equipment which is  
647 permanently attached to the ground or to a permanent foundation  
648 and which is not by its nature intended to be housed within a  
649 building structure, not later than three (3) months after the  
650 initial start-up date, to permanent business enterprises engaging  
651 in manufacturing or processing in Tier Two areas and Tier One  
652 areas (as such areas are designated in accordance with Section  
653 57-73-21), which businesses are certified by the State Tax  
654 Commission as being eligible for the exemption granted in this  
655 paragraph, shall be exempt from one-half (1/2) of the taxes  
656 imposed on such transactions under this chapter.

657           (3) (a) For purposes of this subsection:

658 (i) "Telecommunications enterprises" shall have  
659 the meaning ascribed to such term in Section 57-73-21(13);

660 (ii) "Tier One areas" mean counties designated as  
661 Tier One areas pursuant to Section 57-73-21(1);

662 (iii) "Tier Two areas" mean counties designated as  
663 Tier Two areas pursuant to Section 57-73-21(1);

664 (iv) "Tier Three areas" mean counties designated  
665 as Tier Three areas pursuant to Section 57-73-21(1); and

666 (v) "Equipment used in the deployment of broadband  
667 technologies" means any equipment capable of being used for or in  
668 connection with the transmission of information at a rate, prior  
669 to taking into account the effects of any signal degradation, that  
670 is not less than three hundred eighty-four (384) kilobits per  
671 second in at least one direction, including, but not limited to,  
672 asynchronous transfer mode switches, digital subscriber line  
673 access multiplexers, routers, servers, multiplexers, fiber optics  
674 and related equipment.

675 (b) Sales of equipment to telecommunications  
676 enterprises after June 30, 2003, and before July 1, 2013, that is  
677 installed in Tier One areas and used in the deployment of  
678 broadband technologies shall be exempt from one-half (1/2) of the  
679 taxes imposed on such transactions under this chapter.

680 (c) Sales of equipment to telecommunications  
681 enterprises after June 30, 2003, and before July 1, 2013, that is  
682 installed in Tier Two and Tier Three areas and used in the  
683 deployment of broadband technologies shall be exempt from the  
684 taxes imposed on such transactions under this chapter.

685 **SECTION 7.** This act shall take effect and be in force from  
686 and after July 1, 2004, except for Section 6, which shall take  
687 effect and be in force from and after August 1, 2003.